



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARTER COUNTY
FORMER SHERIFF'S SETTLEMENT - 1998 TAXES AND
FORMER SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES**

March 9, 1999

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AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff

Honorable Kevin McDavid, Carter County Sheriff

Members of the Carter County Fiscal Court

Independent Auditor's Report

We have audited the former Carter County Sheriff's Settlement - 1998 Taxes as of March 9, 1999 and the former Sheriff's Settlement - 1997 Unmined Coal Taxes as of March 9, 1999. These tax settlements are the responsibility of the former Carter County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared her financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the former Carter County Sheriff's taxes charged, credited, and paid as of March 9, 1999 in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff

Honorable Kevin McDavid, Carter County Sheriff

Members of the Carter County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
December 1, 1999

CARTER COUNTY
ALICE BINION, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

March 9, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 270,720	\$ 514,369	\$ 1,512,166	\$ 591,717
Tangible Personal Property	25,118	42,510	124,319	87,531
Intangible Personal Property				30,705
Fire Protection	4,500			
Franchise Corporation	97,773	83,199	243,449	
Additional Billings	170	324	951	372
Limestone	532	1,011	2,973	1,163
Clay Reserves	51	98	287	112
Undeveloped Oil and Gas	15	28	81	32
Increased Through Erroneous Assessments	125	237	698	273
Adjusted to Sheriff's Receipt	(208)	(92)	(288)	(107)
Gross Chargeable to Sheriff	\$ 398,796	\$ 641,684	\$ 1,884,636	\$ 711,798
<u>Credits</u>				
Discounts	\$ 4,623	\$ 6,709	\$ 19,713	\$ 8,764
Exonerations	9,744	18,456	54,252	24,697
Transferred to Incoming Sheriff	62,049	115,936	340,776	137,128
Uncollected Franchise	4,965	9,052	26,563	
Total Credits	\$ 81,381	\$ 150,153	\$ 441,304	\$ 170,589
Net Tax Yield	\$ 317,415	\$ 491,531	\$ 1,443,332	\$ 541,209
Less: Commissions *	13,778	20,890	56,579	23,289
Net Taxes Due	\$ 303,637	\$ 470,641	\$ 1,386,753	\$ 517,920
Taxes Paid	303,544	470,009	1,384,875	517,138
Refunds (Current and Prior Year)	364	682	2,013	805
Refunds Due Sheriff		**		
as of Completion of Fieldwork	\$ (271)	\$ (50)	\$ (135)	\$ (23)

* and ** See Page 4

CARTER COUNTY
ALICE BINION, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES
March 9, 1999
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,340,155
3.92% on	\$	1,443,332

** Special Taxing Districts:

Ambulance District	\$	(27)
Health District		(18)
Extension District		<u>(5)</u>

Refunds Due Sheriff	\$	<u><u>(50)</u></u>
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The accompanying notes are an integral part of the financial statements.

CARTER COUNTY
 ALICE BINION, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES

March 9, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 40	\$ 74	\$ 219	\$ 88
Gross Chargeable to Sheriff	\$ 40	\$ 74	\$ 219	\$ 88
<u>Credits</u>				
Discounts	\$ 1	\$ 1	\$ 5	\$ 1
Net Tax Yield	\$ 39	\$ 73	\$ 214	\$ 87
Less: Commissions *	1	3	8	4
Net Taxes Due	\$ 38	\$ 70	\$ 206	\$ 83
Taxes Paid	38	70	206	83
Due Districts as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0

* Commissions:

4.25% on \$ 199

3.92% on \$ 214

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY
NOTES TO THE FINANCIAL STATEMENTS

March 9, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The former Sheriff met the requirements stated above, and as of March 9, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

CARTER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 9, 1999
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1998 through December 31, 1998.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 20, 1997 through December 31, 1997.

Note 4. Interest Income

The former Carter County Sheriff earned \$4204 as interest income on 1998 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff
Honorable Kevin McDavid, Carter County Sheriff
Members of the Carter County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the former Carter County Sheriff's Settlement - 1998 Taxes as of March 9, 1999, and former Sheriff's Settlement - 1997 Unmined Coal Taxes as of March 9, 1999, and have issued our report thereon dated December 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Carter County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff
Honorable Kevin McDavid, Carter County Sheriff
Members of the Carter County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 1, 1999

